

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 EB-08 /021 W
-----091968 080420Z /61

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FM AMEMBASSY WELLINGTON
TO USDOC WASHDC
INFO SECSTATE WASHDC 4514
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E.O.11652:N/A
TAGS:BEXP,NZ
SUBJECT:FINAL MARKET RESEARCH REPORT FOR PROPOSED
AMTECH EXHIBITION(S)

REF:USDOC 19346

ATTN:L.SILLOWAY R.FOGLESONG

PART TWO OF 7

- SECTION II
- -----
- BUSINESS EQUIPMENT
- -----

MARKET SUMMARY - COPIERS.
DEMAND FOR COPIERS SHOULD REMAIN RELATIVELY
STABLE OVER THE NEXT FOUR YEARS; ESTIMATED
AVERAGE ANNUAL GROWTH OF 10 PERCENT WILL
BE MORE A PROCESS OF REPLACEMENT THAN
ADDITIONS TO EXISTING CAPACITY. ESTIMATED
SALES AND LEASES FOR 1977 ARE BETWEEN 18 TO
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20 MILLION DOLLARS, WITH IMPORTS BEING THE
SOLE SOURCE OF SUPPLY. NO LOCAL PRODUCTION
IS ANTICIPATED BETWEEN NOW AND 1981, AND
IMPORTS (C.I.F.) ARE EXPECTED TO RISE
FROM 8 MILLION DOLLARS TO 11.4 MILLION
DOLLARS DURING THE SAME PERIOD. THE LOCAL
TREND IS AWAY FROM THE CENTRALLY

LOCATED COPYING SERVICES TO THE CONVENIENCE POINT CONCEPT OR DESK MACHINE. THERE ARE TWO MAJOR SUPPLIERS OF COPIERS IN NEW ZEALAND: RANK XEROX, WHICH RETAINS APPROXIMATELY 90 PERCENT OF THE RENTAL MARKET FOR PLAIN PAPER COPIERS AND SOME 60 PERCENT OF ALL SALES AND LEASES (INCLUDING ELECTROSTATIC AND THERMAL) AND NASHUA WHICH HAS SOME 50 PERCENT OF THE ELECTROSTATIC LEASE MARKET AND SOME 20 PERCENT OF ALL SALES AND LEASES. THE REMAINDER OF THE MARKET IS DIVIDED BETWEEN CANON, UBEX (BOTH JAPANESE), IBM (WHICH IS JUST BEGINNING TO MARKET HERE), OTC, AND 3M-TOSHIBA. WITH THE EXCEPTION OF JAPANESE SUPPLIERS, WHO MAY HAVE A COMBINED SHARE OF 10 TO 15 PERCENT OF SALES AND LEASES, THERE ARE NO OTHER MAJOR SUPPLIERS IN THE MARKET AT THIS TIME. (LEASES ARE ESTIMATED TO ACCOUNT FOR NO LESS THAN 60 PERCENT OF ANNUAL MARKET VOLUME.) EXCEPT FOR INCREASED INTEREST IN DESK TYPE COPIERS, THERE IS NOT MUCH MOVEMENT IN THE INDUSTRY AND LONG TERM THE

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EXPECTATION IS THAT LARGER COPIERS WILL TEND TO MERGE WITH CERTAIN TYPES OF OFF-SET MACHINES TO PERFORM MORE OF A PRINTING RATHER THAN A STRICTLY OFFICE FUNCTION.

JAPANESE-SOURCE EQUIPMENT IS BEGINNING TO TAKE OVER THE COPIER MARKET, WITH ONLY RANK XEROX CONTINUING TO SHIP MAJOR QUANTITIES OF EQUIPMENT FROM THE U.K. AND THE NETHERLANDS. ONLY A SMALL PERCENTAGE, 5-7 PERCENT, OF U.S.-SOURCE EQUIPMENT WILL ENTER THE NEW ZEALAND MARKET IN 1977; E.G. OVER 90 PERCENT OF ALL NASHUA PRODUCTS COME FROM JAPAN.

MARKET SUMMARY - MICROGRAPHICS
MICROGRAPHICS WOULD APPEAR TO OFFER THE GREATEST OPPORTUNITY FOR NTM'S OVER THE NEXT FOUR YEARS, ESPECIALLY IN THE FIELD OF TRANSPARENCIES, MICROFICHE, AND MICROFILM APPLICATIONS. AVERAGE ANNUAL GROWTH IN THESE MARKET SECTORS SHOULD APPROACH

20 PERCENT, ACCORDING TO LOCAL SUPPLIERS
THEIR ESTIMATES INDICATE THAT ACTUAL SALES,
INCLUDING FILM, ARE APPROACHING 16 TO 18 MILLION
DOLLARS ANNUALLY; SPECIFIC EQUIPMENT INCLUDED
HERE ARE THERMO-COPYING APPARATUS, MICRO FILM
READERS, MICROFILM PRINT PROJECTORS, CAMERAS
FOR SAME, AND MICROFILM ITSELF. BY 1981,
IMPORTS, C.I.F., COULD REACH 20 MILLION

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DOLLARS, AND NO LOCAL PRODUCTION IS ANTI-
CIPATED.

MAJOR SUPPLIERS OF FILM AND/OR EQUIPMENT
ARE BELL AND HOWELL, KODAK, OCE (OF THE
U.K.), CANON, NCR, IBM AND TOSHIBA (VIA
ITS 3M AFFILIATION). AS MANY AS 20
FIRMS COULD BE HANDLING SOME EQUIPMENT OR
FILM.

TOTAL IMPORTS, C.I.F., FOR 1977 WERE
APPROXIMATELY 12 MILLION DOLLARS, WITH
THE U.S. ACCOUNTING FOR 47 PERCENT OF THE
THERMO-COPYING APPARATUS USED IN
TRANSPARENCY AND FACSIMILE PREPARATION, 53 PERCENT
OF THE MICROFICHE/FILM READERS, AND 79 PERCENT
OF PRINT PROJECTORS AND CAMERAS. THE U.S.
SHARE OF MICROFILM IMPORTS IS LESS SIGNIF-
ICANT, BUT IN ALL CASES WE REMAIN A PRIMARY
SUPPLIER.

ACTUAL ESTIMATES FOR 1977, EXCLUDING MICRO-FILM, INDICATE THAT SALES OF MICROGRAPHICS UNCLASSIFIED

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EQUIPMENT ARE APPROACHING 3.5 MILLION DOLLARS ANNUALLY AND THAT THEY SHOULD RISE TO 5.5 MILLION DOLLARS BY 1981. SCHOOLS AND EDUCATIONAL INSTITUTIONS SHOULD CONTINUE TO BE PRIMARY END-USERS, CLOSELY FOLLOWED BY THE SERVICES MARKET, ADVERTISING AGENCIES, AND MANUFACTURING AND COMMERCIAL ENTERPRISES. GOVERNMENT IS NOT A MAJOR END-USER AT THIS TIME.

MARKET SUMMARY - OTHER BUSINESS MACHINES. OTHER BUSINESS MACHINES WILL HAVE SOME MAJOR GROWTH AREAS WHERE DICTATING MACHINES, DESK TOP CALCULATING MACHINES, ELECTRONIC CASH REGISTERS WITH CALCULATING DEVICES, I.E. PROGRAMMABLE, ARE CONCERNED. NO LOCAL PRODUCTION IS CURRENTLY PLANNED AND TOTAL SALES OF THIS EQUIPMENT SHOULD APPROACH 12 TO 15 MILLION DOLLARS BY 1981. THE ACTUAL C.I.F. IMPORT VALUE OVER THIS SAME PERIOD SHOULD APPROACH 8 MILLION DOLLARS. (CALCULATING MACHINES OF THE POCKET VARIETY ARE ESTIMATED TO CONSTITUTE OVER 18 PERCENT OF TOTAL CALCULATING MACHINE SALES UNDER BTN NUMBER 84.52.001 (TABLE I), BUT THE MARKET FOR THIS TYPE OF EQUIPMENT IS DECLINING AND IS INCREASINGLY DOMINATED BY THE JAPANESE.)

JAPANESE SUPPLIERS CONTINUE TO DOMINATE THE (IMPORT) MARKET FOR OTHER BUSINESS EQUIPMENT; HAVING A 65 PERCENT SHARE OF CASH REGISTER IMPORTS, AS COMPARED TO 24 UNCLASSIFIED

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PERCENT FOR THE U.S., A 68 PERCENT SHARE OF CALCULATING MACHINE IMPORTS, AS AGAINST 11 PERCENT FOR THE U.S., AND A 54 PERCENT SHARE OF DICTATING MACHINE IMPORTS, COMPARED TO 7 PERCENT FOR THE U.S. (WELL-KNOWN U.S. BRANDS, E.G. LANIER, ARE SOLD

IN NEW ZEALAND BUT ARE MANUFACTURED UNDER
LICENSE IN JAPAN.) PRICE IS THE PRIMARY
REASON FOR THIS SUCCESS AND U.S. SUPPLIERS
WILL HAVE TO BE MORE PRICE COMPETITIVE TO
IMPROVE THEIR MARKET SHARE. INTERESTINGLY
ENOUGH, IN THE CASE OF DICTATING MACHINES,
MOST PROCUREMENT IS DONE IN THE U.S.,
ALTHOUGH 80-90 PERCENT OF THE EQUIPMENT SO ORDERED IS
JAPANESE SOURCE.

- SECTION III
- -----
- CONSIDERATION OF TRADE BARRIERS
- -----

CURRENTLY, THERE ARE NO SIGNIFICANT TRADE
BARRIERS FACING ANY SUPPLIERS TO NEW
ZEALAND. THE ONLY REAL BARRIERS TO
SUCCESSFUL MARKETING OF ANY SUCH GOODS ARE
HIGH PRICE, POOR QUALITY, AND INEFFICIENT
SERVICING. NEVERTHELESS, THE NTM SUPPLIER
SHOULD BE ALERT TO SEVERAL TRADE CONSIDERATIONS
WHICH CAN AFFECT HIS SUCCESS IN THE MARKET.

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THESE TRADE CONSIDERATIONS INCLUDE:PRIOR
IMPORT DEPOSITS, SALES TAXES, TARIFF CON-
CESSIONS, IMPORT LICENSING, AND COMMONWEALTH
PREFERENCES. THEIR SIGNIFICANCE IS OUTLINED

BRIEFLY IN THE FOLLOWING DISCUSSION.

PRIOR IMPORT DEPOSIT (PID) OF 33 1/3 PERCENT IS PLACED UPON THE FAIR MARKET VALUE (I.E. IN COUNTRY OF ORIGIN) OF SOME SELECT, (CIRCA 5 PERCENT OF) EQUIPMENT ITEMS IMPORTED INTO NEW ZEALAND. IT APPLIES TO ALL BUSINESS EQUIPMENT AND DATA PROCESSING MACHINES UNLESS OTHERWISE INDICATED (I.E. IN TABLES II AND IV). ONLY MICROFICHE READERS, MICROFILM PROJECTORS, TAPES, AND SOME SLIDES AND COPYING MACHINES ARE PRESENTLY EXEMPT FROM PID. ITS PURPOSE, GENERALLY SPEAKING, IS TO CONSERVE FOREIGN EXCHANGE BY SLOWING IMPORT DEMAND, NOT TO DISCRIMINATE AGAINST INDIVIDUAL SUPPLIERS. THE DEPOSIT MUST BE PAID TO THE CUSTOMS DEPARTMENT UPON ENTRY OF THE GOODS INTO NEW ZEALAND. THE DEPOSIT IS KEPT FOR SIX MONTHS BY THE RESERVE BANK AND THEN UNCLASSIFIED

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RETURNED, WITHOUT INTEREST, TO THE ORIGINAL PAYOR. THE PID SCHEME, WHICH FREQUENTLY MAKES IT DIFFICULT FOR THE SMALLER LOCAL SUPPLIERS OR AGENTS TO IMPORT EXPENSIVE CAPITAL EQUIPMENT (ESPECIALLY DURING THE CURRENT ECONOMIC SLUMP) IS DUE FOR REVIEW AND POSSIBLE REVISION IN FEBRUARY 1978. (ITS REVISION DOWNWARD IS UNLIKELY.)

SALES TAX IS BASED UPON THE FAIR MARKET VALUE OR WHOLESALE VALUE (I.E. IN NEW ZEALAND) OF THE GOODS IN QUESTION. TO DETERMINE THE WHOLESALE PRICE, A MARK UP OF 25 PERCENT IS LEVIED UPON OR ADDED TO THE INVOICED OR IMPORTED VALUE OF THE GOODS. IN THE CASE OF DATA PROCESSORS AND BUSINESS EQUIPMENT, THE SALES TAX IS NORMALLY 40 PERCENT AND IS LEVIED UPON THE PREVIOUSLY DETERMINED WHOLESALE PRICE OF THE GOODS. A LICENSED WHOLESALE DOES NOT PAY THE TAX UNTIL AFTER THE GOODS ARE SOLD, BUT AN IMPORTER, BRINGING IN THE GOODS FOR HIS OWN CONSUMPTION, MUST PAY THE SALES TAX PRIOR TO CLEARANCE OF THE GOODS FROM CUSTOMS.(TAX ALSO APPLIES TO SPARE PARTS,ACTING AS DETERRENT TO SMALL DEALERS MAINTAINING ADEQUATE STOCK.) TARIFF CONCESSIONS ARE, IN REALITY, A GOVERNMENT NULLIFICATION OF THE IMPORT DUTIES WHICH WOULD

OTHERWISE BE LEVIED UPON THE GOODS IN
QUESTION. CONCESSIONS ARE ONLY GRANTED
WHERE THERE IS NO LOCAL MANUFACTURE OF
SUITABLE/EQUIVALENT GOODS, AT REASONABLE
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PRICES, AND: (1) THE IMPORTS ARE TO BE USED
IN MANUFACTURING OR INDUSTRIAL PROCESS, E.G.
RAW MATERIALS OR COMPONENTS FOR PLANT OR
INDUSTRY; OR (2) THE IMPORTS ARE TO BE USED
FOR EDUCATIONAL , MEDICAL, OR CULTURAL
PURPOSES.

IMPORT LICENSING IS NOT A SERIOUS OBSTACLE
TO SALES OF MOST MANUFACTURED GOODS DISCUSSED HERE.
OF THE ITEMS LISTED IN TABLES I THROUGH IV,
ONLY FRANKING AND CHECKWRITING MACHINES,
DICTATING MACHINES, AND MICROFICHE READERS
REQUIRE LICENSES. NO CEILINGS HAVE BEEN SET
FOR SUCH IMPORTS SO OBTAINING A LICENSE
IS NOT A DIFFICULT MATTER. LICENSING
IS ONLY A REAL BARRIER WHEN THE GOVERNMENT
WISHES TO PROTECT/DEVELOP A LOCAL INDUSTRY
OR MANUFACTURE.

COMMONWEALTH PREFERENCES ARE, TO ALL INTENTS
AND PURPOSES, TERMINATED AS OF JULY 1977.
GOODS FROM SUPPLIERS IN THE U.K., CANADA,
AUSTRALIA AND NORTHERN IRELAND ARE NO LONGER
ENTITLED TO BE ENTERED AS THE PRODUCE OR
MANUFACTURE OF THE BRITISH COMMONWEALTH.
HOWEVER, BOTH AUSTRALIA AND CANADA HAVE
SEPARATE TRADE AGREEMENTS WITH NEW ZEALAND
WHICH DO PROVIDE PREFERENCES VARYING FROM
5 TO 20 PERCENT ON SOME PRODUCTS. APART
FROM THIS, U.S. SOURCE EQUIPMENT WILL ENTER

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UNDER THE SAME DUTIES AND TARIFF ARRANGEMENTS
AS OTHER INDUSTRIALIZED COUNTRIES IN THE
BRITISH COMMONWEALTH. (TRADE AGREEMENT CONCESSIONS
FAVORING AUSTRALIA AND CANADA ARE LISTED
IN TABLES II AND IV.)

SECTION IV

ECONOMIC DETERRENTS

NEW ZEALAND'S CURRENT BALANCE OF PAYMENTS
DIFFICULTIES AND ITS INFLATION RATE OF SOME
14 PERCENT HAVE BEGUN TO ALTER IMPORT
DECISIONS BY SMALLER FIRMS, IN BOTH THE
DATA PROCESSING AND BUSINESS EQUIPMENT
FIELDS. IN VIEW OF THE 40 PERCENT SALES
TAX AND THE PID, THESE FIRMS ARE HAVING
SOME CASH FLOW AND LIQUIDITY PROBLEMS
AND ARE RELUCTANT TO CONTINUE TYING UP
THEIR CAPITAL ON THE PURCHASE OF
EXPENSIVE EQUIPMENT. (ADDITIONALLY,
BANK COMMERCIAL INTEREST RATES,
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PRESENTLY RANGING FROM 7 TO 16 PERCENT,
FURTHER INHIBIT BORROWING TO PURCHASE/
IMPORT EQUIPMENT, ESPECIALLY MAINFRAMES.)
IT'S UNLIKELY THERE WILL BE ANY FUNDAMENTAL SHORT TERM
CHANGE IN THE COUNTRY'S BALANCE OF PAYMENTS
DEFICIT OR IN HIGH INFLATION, CONSEQUENTLY,
IMPORTERS, AS WELL AS END-USERS, WILL DELAY
PURCHASES OR RESTRICT THEM TO ESSENTIAL
REPLACEMENT.

SHOULD THE PID BE RAISED OR THE SALES TAX
INCREASED--ALTHOUGH NEITHER APPEARS LIKELY
IN THE NEAR TERM--IT WOULD

SIGNIFICANTLY CUT INTO DEMAND FOR ALL DATA PROCESSORS AND BUSINESS EQUIPMENT; THE EXCEPTION WOULD MOST CERTAINLY BE WHERE THE EQUIPMENT WAS VITAL FOR MANUFACTURING PURPOSES AND/OR WOULD ASSIST IN EXPANDING EXPORTS.

DEMAND FOR COMPUTERS MAY BE SOMEWHAT INELASTIC, BUT IN VIEW OF THE FOREGOING ECONOMIC PICTURE, END-USERS MAY DECIDE TO PURCHASE LOWER COST EQUIPMENT TO SATISFY CONTINUING REQUIREMENTS. SECONDLY, BARRING A MAJOR DOWNTURN IN THE ECONOMY OR SEVERELY SPIRALLING INFLATION, REPLACEMENT OF SMALL DATA PROCESSORS AND MOST VARIETIES OF BUSINESS EQUIPMENT SHOULD CONTINUE AS PREVIOUSLY OUTLINED IN THIS SURVEY. MOST FIRMS DO NOT CONTEMPLATE EXPANSION, HOWEVER, AT LEAST FOR THE NEXT 18 MONTHS, UNLESS NEW TECHNOLOGY IS INTRODUCED WHICH

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WILL UNDERSELL AND OUTPERFORM EXISTING PRODUCTS.

- SECTION V
- -----
- ADVICE FOR THE NEW TO MARKET SUPPLIER
- -----

IN RESPONSE TO QUESTIONS RAISED DURING THE COURSE OF INTERVIEWING END-USERS AND SUPPLIERS ALIKE, SEVERAL SUGGESTIONS AND/OR CAUTIONS WERE REPEATED AND MAY BE OF MORE THAN PASSING INTEREST FOR POTENTIAL NTM'S. THEY ARE LISTED, AS FOLLOWS:

- (A) IN DETERMINING A PRODUCT'S SALEABILITY, NTM'S SHOULD CONSIDER THE FOLLOWING, IN ORDER OF PRIORITY: NEW TECHNOLOGY, QUALITY OF PRODUCT, EFFICIENT SERVICING, AND FINANCE TERMS.
- (B) A 90 DAY CREDIT AND OPEN ACCOUNT TERMS ARE PREFERRED TO HAVING TO DEAL ON THE BASIS OF LETTERS OF CREDIT.
- (C) NEW ZEALAND IS A COMPARATIVELY SMALL MARKET BY WESTERN STANDARDS AND END-USERS ARE NOT GEARED FOR LARGE RUNS EXCEPT IN LIMITED FIELDS OF GOVERNMENT AND BANKING.
- (D) IMPORTING IS CHEAPER THAN ATTEMPTING TO ASSEMBLE OR MANUFACTURE LOCALLY, OWING TO THE HIGH PER UNIT LABOR COSTS AND LIMITED MARKETS' EFFECT-

ING ECONOMIES OF SCALE. YOU WOULD NEED A
DECIDED ADVANTAGE, IN TERMS OF RAW MATERIALS

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OR PRODUCTION COSTS, AS IN DAIRY OR WOOL PRODUCTS,
TO MANUFACTURE LOCALLY.

(E) NEW ZEALAND BUSINESSMEN DESIRE TO BE AS
EFFICIENT AND FORWARD LOOKING AS THEIR
WESTERN COUNTERPARTS, BUT THEY MAY BE MORE
DELIBERATE IN ACCEPTING NEW PRODUCTS THAT
HAVE YET TO BE TESTED LOCALLY; THEY DON'T
WANT TO BE FIRST. CONSEQUENTLY, IT CAN TAKE
12 TO 24 MONTHS TO QUALIFY AND SELL A
CUSTOMER ON A COMPLETELY NEW PRODUCT.

(F) MAKE CERTAIN FINANCING CAN BE OBTAINED
LOCALLY BEFORE UNDERTAKING AN AGENCY HERE.

(G) IT IS ALMOST IMPERATIVE, FOR THE LOCAL
DISTRIBUTOR WHO IS NOT SUPPORTED BY A
MULTI-NATIONAL, TO RESTRICT HIS INITIAL SALES
EFFORT TO AUCKLAND, WELLINGTON, AND POSSIBLY
CHRISTCHURCH. THIS IS IMPORTANT OWING TO
THE HIGH COSTS OF ATTEMPTING TO SERVICE
THE ENTIRE LENGTH OF NEW ZEALAND AND THE
CONCOMITANT INABILITY TO GIVE PROMPT AND
EFFICIENT SERVICE IN DOING SO.

(H) APPOINT AN EXPERIENCED AGENT WITH
SUFFICIENT SUPPORT/STAFF TO MARKET AND
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SERVICE YOUR PRODUCT.

(I) TO SOME DEGREE, THE COUNTRY STORE CONCEPT PREVAILS IN ALL BUT AUCKLAND AND WELLINGTON, I.E. LOCAL AGENTS CARRY MANY LINES BUT SMALL STOCK; IT'S THE ONLY WAY TO STAY IN BUSINESS IN VIEW OF THE SMALL MARKET.

(J) THERE IS DEFINITELY ROOM FOR NEW PRODUCTS, BECAUSE NEW ZEALAND IS NOT IN A POSITION TO DEVELOP ITS OWN TECHNOLOGY IN THE FIELDS OF DATA PROCESSING AND SOPHISTICATED BUSINESS EQUIPMENT. SELDEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
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Disposition Approved on Date:
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Executive Order: N/A
Errors: N/A
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Litigation History:
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Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 11
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: FINAL MARKET RESEARCH REPORT FOR PROPOSED AMTECH EXHIBITION(S)
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To: COM
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Review Markings:
Margaret P. Grafeld
Declassified/Released
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EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009